

Company Registration No: 05984100

TOTAL CAPITAL FINANCE LIMITED

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

31 December 2009

**Group Secretariat
The Royal Bank of Scotland Group plc
P.O. Box 1000, Gogarburn
Edinburgh
EH12 1HQ**

THURSDAY



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TOTAL CAPITAL FINANCE LIMITED

Company Registration No 05984100

OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS:
T J D Boag
D C Gavin
S B Matthews
L R Morse

SECRETARY: N C MacArthur

REGISTERED OFFICE. 1 Princes Street
London
EC2R 8BP

AUDITORS: Deloitte LLP
London

Registered in England and Wales.

DIRECTORS' REPORT

The directors present their report and the audited financial statements for the year ended 31 December 2009

ACTIVITIES AND BUSINESS REVIEW

This Directors' Report has been prepared in accordance with the special provisions available to companies entitled to the small companies exemption

Activity

The principal activity of the Company continues to be that of an investment company

The directors do not anticipate any material change in either the type or level of activities of the Company

Review of the year

The profit for the year was £419,715 (2008 profit of £159,886) No dividend was paid during the year (2008 £nil)

Going concern

The Company's business activities and review are outlined above and the Company's financial position, cash flows and liquidity position are set out in the financial statements

The directors, having made such enquiries as they considered appropriate, including regarding the continuing availability of sufficient resources from the Royal Bank of Scotland group, have prepared the financial statements on a going concern basis. They considered the financial statements of The Royal Bank of Scotland Group plc for the year ended 31 December 2009, approved on 24 February 2010, which were prepared on a going concern basis

DIRECTORS AND SECRETARY

The present directors and secretary, who have served throughout the year except where noted below, are listed on page 1

From 1 January 2009 to date the following changes have taken place

Directors	Appointed	Resigned
M Ellwood		17 July 2009
J M Penfold		17 July 2009
J Matear	20 November 2009	21 May 2010
T J D Boag	20 November 2009	
L R Morse	20 November 2009	

DIRECTORS' REPORT (Continued)

DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the annual report and the financial statements in accordance with applicable law and regulations

Company law requires the directors to prepare a directors' report and financial statements for each financial year and the directors have elected to prepare the financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs at the end of the year and the profit or loss for the financial year as concern members of the company. In preparing these financial statements, under International Accounting Standard 1, the directors are required to

- select suitable accounting policies and apply them consistently,
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information,
- provide additional disclosures when compliance with the specific requirements in IFRSs are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance, and
- make an assessment of the Company's ability to continue as a going concern

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the Directors' Report and financial statements comply with the requirements of the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities

USE OF FINANCIAL INSTRUMENTS

The Company's financial risk management policies and exposure in relation to the respective risks are detailed in note 16 of the financial statements

DISCLOSURE OF INFORMATION TO AUDITORS

Each of the directors at the date of approval of this report confirms that

- (a) so far as he/she is aware there is no relevant audit information of which the Company's auditors are unaware, and
- (b) the director has taken all the steps that he/she ought to have taken to make himself/herself aware of any relevant audit information and to establish that the Company's auditors are aware of that information

This confirmation is given and shall be interpreted in accordance with the provisions of section 418 of the Companies Act 2006

TOTAL CAPITAL FINANCE LIMITED

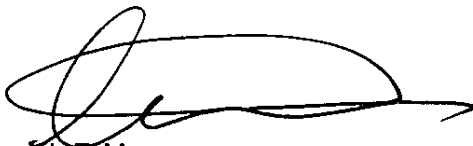
Company Registration No 05984100

DIRECTORS' REPORT (Continued)

AUDITORS

Deloitte LLP have expressed their willingness to continue in office as auditors

Approved by the Board of Directors
and signed on behalf of the Board

A handwritten signature in black ink, appearing to be 'L R Morse', with a large, sweeping loop at the end.

L R Morse
Director

Date 11 AUG 2010

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF TOTAL CAPITAL FINANCE LIMITED

We have audited the financial statements of Total Capital Finance Limited ('the Company') for the year ended 31 December 2009 which comprise the statement of comprehensive income, the balance sheet, the statement of changes in equity, the cash flow statement and the related notes 1 to 19. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

As explained more fully in the Directors' Responsibilities Statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the Company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements.

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the Company's affairs as at 31 December 2009 and of its profit for the year then ended,
- have been properly prepared in accordance with IFRSs as adopted by the European Union, and
- have been prepared in accordance with the requirements of the Companies Act 2006

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF
TOTAL CAPITAL FINANCE LIMITED (Continued)**

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us, or
- the financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit, or
- the directors were not entitled to take advantage of the small companies exemption in preparing the Directors' Report



Kari Hale (Senior Statutory Auditor)
for and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditors
London, United Kingdom

Date 11/8/2010

TOTAL CAPITAL FINANCE LIMITED

Company Registration No 05984100

STATEMENT OF COMPREHENSIVE INCOME
for the year ended 31 December 2009

	Notes	2009 £	2008 £
Continuing operations			
Revenue	4	429,155	161,420
Administrative expenses	5	-	(715)
Impairment of available-for-sale investments	9	(239)	-
Loss on disposal of available-for-sale investments		(19)	-
Operating profit		428,897	160,705
Finance costs	6	-	(92)
Profit before tax		428,897	160,613
Tax	7	(9,182)	(727)
Profit for the year		419,715	159,886
Other comprehensive income			
Gains arising on available-for-sale investments	9	5,747,178	-
Tax on other comprehensive income	12	(1,609,153)	-
Other comprehensive income after tax		4,138,025	-
Total comprehensive income for the year attributable to the equity holders of the Company	15	4,557,740	159,886

The notes on pages 11 to 21 form a part of these financial statements

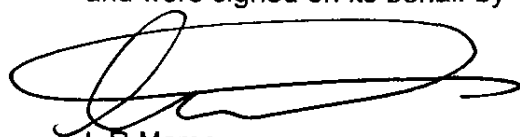
TOTAL CAPITAL FINANCE LIMITED

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BALANCE SHEET
at 31 December 2009

	Note	2009 £	2008 £
Non-current assets			
Available-for-sale investments	9	5,750,000	3,081
		<u>5,750,000</u>	<u>3,081</u>
Current assets			
Cash and cash equivalents	10	587,273	158,118
Loans and receivables	11	2	1
		<u>587,275</u>	<u>158,119</u>
Total assets		<u>6,337,275</u>	<u>161,200</u>
Non-current liabilities			
Deferred tax liabilities	12	1,609,153	-
		<u>1,609,153</u>	<u>-</u>
Current liabilities			
Trade and other payables	13	670	670
Tax payable		9,909	727
		<u>10,579</u>	<u>1,397</u>
Total liabilities		<u>1,619,732</u>	<u>1,397</u>
Net assets		<u>4,717,543</u>	<u>159,803</u>
Equity			
Share Capital	14	1	1
Reserves	15	4,717,542	159,802
Total equity attributable to the equity holders of the Company		<u>4,717,543</u>	<u>159,803</u>

The financial statements were approved by the board of directors and authorised for issue on 11 AUG 2010 and were signed on its behalf by



L R Morse
Director

The notes on pages 11 to 21 form a part of these financial statements

TOTAL CAPITAL FINANCE LIMITED

Company Registration No 05984100

**STATEMENT OF CHANGES IN EQUITY
for the year ended 31 December 2009**

	Share capital £	Available-for sale reserve	Retained earnings £	Total equity £
At 1 January 2008	1	-	(84)	(83)
Total comprehensive income for the year	-	-	159,886	159,886
At 31 December 2008	<u>1</u>	<u>-</u>	<u>159,802</u>	<u>159,803</u>
At 1 January 2009	1	-	159,802	159,803
Total comprehensive income for the year	-	4,138,025	419,715	4,557,740
At 31 December 2009	<u>1</u>	<u>4,138,025</u>	<u>579,517</u>	<u>4,717,543</u>

The notes on pages 11 to 21 form a part of these financial statements

TOTAL CAPITAL FINANCE LIMITED

Company Registration No 05984100

**CASH FLOW STATEMENT
for the year ended 31 December 2009**

	Note	2009 £	2008 £
Operating activities			
Profit before tax		428,897	160,613
<i>Adjustments for</i>			
Impairment of available-for-sale investments	9	239	-
Loss on disposal of available-for-sale investments		19	-
Finance costs	6	-	92
Operating profit before changes in working capital		429,155	160,705
Increase in amounts owed by group undertakings		(1)	-
Increase in trade and other payables		-	670
Net cash generated from the operations		429,154	161,375
Interest paid		-	(92)
Tax received		-	36
Net cash from operating activities		429,154	161,319
Investing activities			
Proceeds from disposal of investments		1	-
Acquisition of investments	9	-	(394)
Net cash used in investing activities		1	(394)
Net cash used in financing activities		-	-
Net increase in cash and cash equivalents		429,155	160,925
Cash and cash equivalents at 1 January		158,118	(2,807)
Cash and cash equivalents at 31 December	10	587,273	158,118

The notes on pages 11 to 21 form a part of these financial statements

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2009

1 General information

Total Capital Finance Limited is a company incorporated in Great Britain and registered in England and Wales. The address of the registered office is on page 1. The nature of the Company's principal activities is set out in the Directors' Report. The financial statements are presented in accordance with the Companies Act 2006.

2 Adoption of new and revised Standards

In the current year the Company has adopted the revisions to IAS 1 *Presentation of Financial Statements* which introduced a single performance statement, the 'Statement of Comprehensive Income'. The adoption of this has not led to any changes in the Company's accounting policies, nor has it led to any items being restated or reclassified.

In addition the following Standards issued by the International Accounting Standards Board and Interpretations issued by the International Financial Reporting Interpretations Committee have become effective during the current year:

IFRS 7 (revised 2009)	<i>Financial Instruments Disclosures</i>
IFRS 8	<i>Operating Segments,</i>
IFRIC 13	<i>Customer Loyalty Programmes,</i>
IFRIC 14	<i>IAS 19 The Limit on a Defined Benefit Asset,</i>
IFRIC 15	<i>Agreements for the Construction of Real Estate,</i>
IFRIC 16	<i>Hedges of a Net Investment in a Foreign Operation</i>

The adoption of these has not led to any changes in the Company's accounting policies and has had no material impact on the financial statements.

At the date of authorisation of these financial statements, the following Standards and Interpretations which have not been applied in these financial statements were in issue but not yet effective:

IFRS 1 (revised 2008)	<i>First-time Adoption of International Financial Reporting Standards,</i>
IFRS 3 (revised 2008)	<i>Business Combinations,</i>
IFRS 5 (revised 2008)	<i>Non-current Assets Held for Sale and Discontinued Operations,</i>
IFRS 9	<i>Financial Instruments - Classification and Measurement,</i>
IAS 24 (revised 2009)	<i>Related Party Disclosures - Revised definition of related parties,</i>
IAS 27 (amended)	<i>Consolidated and Separate Financial Statements,</i>
IAS 28 (amended)	<i>Investments in Associates,</i>
IAS 31 (amended)	<i>Interests in Joint Ventures,</i>
IAS 32 (amended)	<i>Financial Instruments Presentation,</i>
IAS 39 (amended)	<i>Financial Instruments Recognition and Measurement,</i>
IFRIC 17	<i>Distributions of Non-cash Assets to Owners,</i>
IFRIC 18	<i>Transfers of a Foreign Operation,</i>
IFRIC 19	<i>Extinguishing Financial Liabilities with Equity Instruments</i>

Annual Improvements to IFRSs (April 2009)

Apart from IFRS 9, whose affect is being assessed, the directors anticipate that the adoption of these Standards and Interpretations in future periods will have no material impact on the financial statements of the Company.

NOTES TO THE FINANCIAL STATEMENTS (Continued)
for the year ended 31 December 2009

3 Accounting policies

a. Accounting convention

The financial statements, which should be read in conjunction with the Directors' Report, are prepared on a going concern basis and in accordance with International Financial Reporting Standards issued by the International Accounting Standards Board (IASB) and interpretations issued by the International Financial Reporting Interpretations Committee of the IASB (together IFRS) as adopted by the European Union

The financial statements have been prepared upon the basis of historical cost except as noted in the following accounting policies and are presented in accordance with applicable United Kingdom law

b. Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents dividend income and monitoring fees earned net of discounts, VAT and other sales related taxes

Dividend income from investments in subsidiaries is recognised when the shareholders' rights to receive payments have been established

Revenue arises in the United Kingdom from continuing activities

c. Available-for-sale investments

Financial assets that are not classified as held to maturity, held for trading, designated at fair value through profit or loss, or loans and receivables are classified as available-for-sale
Financial assets can be designated as available-for-sale on initial recognition

Available-for-sale financial assets are initially recognised at fair value plus directly related transaction costs and are subsequently measured at fair value. Impairment losses and exchange differences resulting from retranslating the cost of monetary currency available-for-sale financial assets are recognised in profit or loss together with interest calculated using the effective interest rate. Other changes in the fair value of available-for-sale financial assets are reported in other comprehensive income in a separate component of shareholders' equity until disposal, when the cumulative gain or loss is recognised in profit or loss

Fair values for financial assets not quoted in an active market are determined using appropriate valuation techniques including discounting future cash flows, option pricing models and other methods that are consistent with accepted economic methodologies for pricing financial assets

d. Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value

NOTES TO THE FINANCIAL STATEMENTS (Continued)
for the year ended 31 December 2009

3 Accounting policies (continued)

e. Loans and receivables

Loans and receivables are measured at initial recognition at fair value and are subsequently measured at amortised cost using the effective interest rate method. Appropriate allowances for estimated irrecoverable amounts are recognised in the income statement when there is objective evidence that the asset is impaired. The allowance recognised is the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition.

f. Taxation

Provision is made for taxation at current enacted rates on taxable profits, arising in income or in equity.

Deferred taxation is accounted for in full for all temporary differences between the carrying amount of an asset or liability for accounting purposes and its carrying amount for tax purposes.

Deferred tax assets are only recognised to the extent that it is probable that they will be recovered.

g. Trade and other payables

Trade and other payables are initially measured at fair value and subsequently at amortised cost.

h. Administrative expenses

Administrative expenses are accounted for on an accruals basis.

i. Critical accounting judgements and key sources of estimation uncertainty

In the process of applying the Company's accounting policies above, management has made the following judgements that have the most significant effect on the amounts recognised in the financial statements:

- Valuation of available-for-sale investments

The Company's policy for available-for-sale investments is noted above.

4 Revenue

	2009 £	2008 £
Dividend income	399,155	161,420
Monitoring fees	30,000	-
	<u>429,155</u>	<u>161,420</u>

TOTAL CAPITAL FINANCE LIMITED

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NOTES TO THE FINANCIAL STATEMENTS (Continued)
for the year ended 31 December 2009**5 Administrative expenses**

	2009	2008
	£	£
Other administrative expenses	<u>-</u>	<u>715</u>

The Company had no employees in the current year (2008 none)

Employee costs are incurred by the immediate parent company, The Royal Bank of Scotland plc

6 Finance costs

	2009	2008
	£	£
On loans and payables		
To group undertakings	<u>-</u>	<u>92</u>

7 Tax charge on profit before tax**A) Analysis of charge for the year**

	2009	2008
	£	£
Current taxation		
Tax charge for the year	<u>9,182</u>	<u>727</u>

B) Factors affecting the tax charge for the year

The actual tax charge differs from the expected tax charge computed by applying the standard rate of UK corporation tax of 28% (2008 28.5%) as follows

	2009	2008
	£	£
Expected tax charge	120,091	45,775
Non-deductible items	72	-
Non-taxable items	(111,763)	(46,005)
UK UK Transfer Pricing adjustment	782	957
Actual tax charge	<u>9,182</u>	<u>727</u>

The applicable rate for the year has changed from 28.5% to 28% following a reduction in the rate of UK corporation tax from 30% to 28% on 1 April 2008

NOTES TO THE FINANCIAL STATEMENTS (Continued)
for the year ended 31 December 2009

8 Auditors' Remuneration

Fees payable to the Company's auditors for the audit of the Company's annual financial statements are £5,000 (2008 £5,000). There was no charge in either the current or prior year's financial statements for auditors' remuneration as the fees were charged in the financial statements of the immediate parent, The Royal Bank of Scotland plc.

9 Available-for-sale investments

	2009 £	2008 £
1 January	3,081	2,687
Additions	-	394
Disposals	(20)	-
Change in fair value	5,747,178	-
Impairment	(239)	-
31 December	<u>5,750,000</u>	<u>3,081</u>

Name of Investment	Holding 2009 %	2008 %	Original Cost £	Disposals £	Change in fair value £	Impairment	Total £
Tocris Holdings Limited	15.00	15.00	2,647	-	4,547,353	-	4,550,000
Hamsard 3120 Limited	19.99	19.99	20	-	-	(20)	-
Monitor Audio Limited	0.00	19.99	20	(20)	-	-	-
Goodfellow Holdings Limited	17.50	17.50	175	-	1,199,825	-	1,200,000
PSCA Holdings Limited	19.90	19.90	199	-	-	(199)	-
DF Ventures Limited	19.99	19.99	20	-	-	(20)	-
			<u>3,081</u>	<u>(20)</u>	<u>5,747,178</u>	<u>(239)</u>	<u>5,750,000</u>

10 Cash and cash equivalents

	2009 £	2008 £
Cash and cash equivalents per balance sheet		
Amounts held with group undertakings	587,273	158,118
Cash and cash equivalents per cash flow statement	<u>587,273</u>	<u>158,118</u>

TOTAL CAPITAL FINANCE LIMITED

Company Registration No 05984100

NOTES TO THE FINANCIAL STATEMENTS (Continued)
for the year ended 31 December 2009**11 Loans and receivables**

	2009 £	2008 £
Current		
Amounts owed by group undertakings	<u>2</u>	<u>1</u>

The directors of the Company have waived the right to charge interest on the amounts owed by group undertakings

The fair value of loans and receivables is considered not to be materially different to the carrying amounts in the balance sheet

12 Deferred taxation

Provision for deferred taxation has been made as follows

	Deferred gains £	Total £
At 1 January and 31 December 2008	<u>-</u>	<u>-</u>
At 1 January 2009	-	-
Charge to equity directly	1,609,153	1,609,153
At 31 December 2009	<u>1,609,153</u>	<u>1,609,153</u>

13 Trade and other payables

	2009 £	2008 £
Current liabilities		
Other payables	<u>670</u>	<u>670</u>

The fair value of trade payables is considered not to be materially different to the carrying amounts in the balance sheet

14 Share capital

	2009 £	2008 £
Authorised:		
100 (2008 100) Ordinary shares of £1 each	<u>100</u>	<u>100</u>
Allotted, called up and fully paid:		
1 (2008 1) Ordinary share of £1	<u>1</u>	<u>1</u>

NOTES TO THE FINANCIAL STATEMENTS (Continued)
for the year ended 31 December 2009

15 Reserves

	Available-for-sale reserve £	Retained earnings £	Total reserves £
At 1 January 2008	-	(84)	(84)
Total comprehensive income for the year	-	159,886	159,886
At 31 December 2008	<u>-</u>	<u>159,802</u>	<u>159,802</u>
At 1 January 2009	-	159,802	159,802
Total comprehensive income for the year	4,138,025	419,715	4,557,740
At 31 December 2009	<u>4,138,025</u>	<u>579,517</u>	<u>4,717,542</u>

16 Financial instruments and risk management

Capital risk management

The Company considers its capital to consist of equity attributable to the equity holders of the Company, comprising issued share capital, revaluation reserve and retained earnings as disclosed in notes 14 and 15. The Company is a member of the Royal Bank of Scotland group of companies which has regulatory disciplines over the use of its capital. The Company operates controls and policies put in place by the group to ensure that the Company can continue as a going concern and to ensure that the group complies with these regulatory disciplines.

Accounting policies

Details of the accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of financial asset and financial liability are disclosed in note 3.

NOTES TO THE FINANCIAL STATEMENTS (Continued)
for the year ended 31 December 2009

16 Financial instruments and risk management (continued)

Categories of financial instruments

The carrying value of each category of financial instruments, as defined in IAS 39, is disclosed in the following table

	2009 £	2008 £
Financial assets		
Loans and receivables	587,275	158,119
Available-for-sale	5,750,000	3,081
	<u>6,337,275</u>	<u>161,200</u>
Non financial liabilities	<u>1,619,732</u>	<u>1,397</u>

Valuation hierarchy

Financial instruments carried at fair value are classified by hierarchy - level 1, level 2 and level 3

Level 1 - quoted prices for similar instruments

Level 2 - directly observable market inputs other than level 1 inputs

Level 3 - inputs not based on observable market data

Financial assets designated as available-for-sale comprise equity investments in unlisted companies and are categorised as level 3. The valuation techniques are described in note 3c

Risk management

The Company uses a comprehensive framework for managing risks established by the Royal Bank of Scotland group of companies

The risks associated with the Company's businesses are as follows

Interest rate risk and sensitivity analysis

Structural interest rate risk arises where assets and liabilities have different repricing maturities

The repricing maturity profile of the financial assets of the Company may be different to that of the associated borrowings and hence give potential exposure to interest rate risk

The matching of the repricing maturity characteristics of the Company's assets and liabilities is achieved through hedges transacted within another group company. This results in the Company having exposure to interest rate risk, though this would be offset elsewhere within the group

NOTES TO THE FINANCIAL STATEMENTS (Continued)
for the year ended 31 December 2009

16 Financial instruments and risk management (continued)

Interest rate risk and sensitivity analysis (continued)

The sensitivity analysis below has been determined based on the exposure to interest rates at the balance sheet date. The analysis is prepared on the assumption that the balances receivable and/or payable at the balance sheet date were receivable and/or payable for the whole year.

If interest rates had been 0.5% higher and all other variables were held constant, the Company's profit before tax for the year would have increased by £2,936 (2008: profit before tax for the year would have increased by £791). This is mainly due to the Company's exposure to interest rates on its variable rate balances. There would be no other impact on equity.

Currency risk

The Company has no currency risk as all transactions and balances are denominated in Sterling.

Credit risk

Credit risk is the risk that companies, financial institutions, individuals and other counterparties will be unable to meet their obligations to the Company.

The Company has no significant credit risk as all loans and receivables are with group undertakings. No amounts owed by group undertakings are past due.

Liquidity risk

Liquidity risk arises where assets and liabilities have different contractual maturities. The Company manages liquidity risk through applying the established framework put in place within the group.

The Company has no significant liquidity risk as it has no financial liabilities.

Operational risk

Operational risk is the risk of unexpected losses attributable to human error, systems failures, fraud or inadequate internal financial controls and procedures. The Company manages this risk, in line with the RBS group framework, through systems and procedures to monitor transactions and positions, the documentation of transactions and periodic review by internal audit. The Company also maintains contingency facilities to support operations in the event of disasters.

17 Contingent liabilities

The Royal Bank of Scotland group has agreed to compensate UK members for any adjustments in respect of UK UK Transfer Pricing that may arise under paragraph 1A of Schedule 28 AA, Income and Corporation Taxes Act 1988.

NOTES TO THE FINANCIAL STATEMENTS (Continued)
for the year ended 31 December 2009

18 Post balance sheet events

There have been no significant events between the year end and the approval of these financial statements which would require a change to the disclosures in the accounts

In the Budget on 22 June 2010, the UK Government proposed, amongst other things, to reduce Corporation Tax rates in four annual increments of 1% with effect from 1 April 2011. As a result of this change, existing temporary differences may unwind in periods subject to the reduced tax rate giving rise to a reduction of the deferred tax liability. The specific effect has not yet been calculated.

19 Related parties

On 1 December 2008, the UK Government through HM Treasury became the ultimate controlling party of The Royal Bank of Scotland Group plc. The UK Government's shareholding is managed by UK Financial Investments Limited, a company wholly-owned by the UK Government. As a result, the UK Government and UK Government controlled bodies became related parties of the Company.

The Company's ultimate holding company is The Royal Bank of Scotland Group plc and its immediate parent company is The Royal Bank of Scotland plc. Both companies are incorporated in Great Britain and registered in Scotland.

As at 31 December 2009, The Royal Bank of Scotland Group plc heads the largest group in which the Company is consolidated and The Royal Bank of Scotland plc heads the smallest group in which the Company is consolidated. Copies of the consolidated accounts of both companies may be obtained from The Secretary, The Royal Bank of Scotland Group plc, Gogarburn, Edinburgh EH12 1HQ.

Related party transactions with other group undertakings

The table below details balances and transactions with group undertakings

	At 1 January 2009 £	Net (receipts) / payments £	At 31 December 2009 £
Banking members of the group			
Immediate parent	158,119	429,156	587,275
Other members of the group			
Other RBS Group undertakings	(727)	(9,182)	(9,909)
Total	157,392	419,974	577,366

The amounts outstanding are unsecured and will be settled in cash. No guarantees have been given or received.

NOTES TO THE FINANCIAL STATEMENTS (Continued)
for the year ended 31 December 2009

19 Related parties (continued)

Other related party transactions

No emoluments were paid to any director by the Company during the year (2008 £nil)

None of the directors had any material interest in any contract of significance in relation to the business of the Company (2008 none)